

CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE

**INITIAL STATEMENT OF REASONS FOR THE
PROPOSED ADOPTION OF THE DEFINITION OF “CALIFORNIA SUPPLIER”**

HEARING DATE: None Scheduled.

SUBJECT MATTER OF PROPOSED REGULATIONS: Definition of “California Supplier.”

SECTIONS AFFECTED: The proposed regulation adopts Chapter 5 and section 100502 of Title 17 of the California Code of Regulations.

SPECIFIC PURPOSE AND FACTUAL BASIS FOR EACH ADOPTION:

SECTION 100502 – DEFINITION OF “CALIFORNIA SUPPLIER”:

Purpose:

Subdivision (a): The purpose of Section 100502 is to define the term “California Supplier” as that term is used in Health and Safety Code section 125290.30, subdivision (i).

Subdivision (a)(1): This subdivision describes the first type of businesses that qualify as a “California supplier.” A “California supplier” means any sole proprietorship, partnership, joint venture, corporation, or other business entity whose permanent, principal office or place of business from which the supplier’s trade is directed or managed is located in California and which produces, builds, researches, develops or manufactures a product or service in California that is used for life science research, training, or facilities.

Subdivision (a)(2): This subdivision describes the second type of business that qualifies as a “California supplier.” The term includes any sole proprietorship, partnership, joint venture, corporation or other business entity that meets one of the three following conditions: (A) employs at least one-third of its total employees in California; or (B) includes a business unit, division or subsidiary whose permanent principal office or place of business from which the unit, division or subsidiary’s trade is directed or managed is located in California, for the specific product or products that are sold by the unit, division or subsidiary to CIRM grantees; or (C) sells, produces, builds, or manufactures a product or products in California for the specific product or products that are sold to CIRM grantees, so long as the supplier certifies that at least 50% of the cost of the product is attributable to activity undertaken in California.

Subdivision (a)(3): This subdivision describes the third type of business that qualifies as a “California supplier” – to wit: any sole proprietorship, partnership, joint venture, corporation, affiliate or other business entity, including those owned by, or under common control with, a corporation, that either individually or as an aggregated group

under common control: (A) employs at least 800 California residents engaged in functions relating to or supporting products or services used for life science research, training, or facilities regardless of where its principal office or place of business is located; or (B) employs 5,000 or more California residents.

Subdivision (b): This subdivision provides a roadmap of the regulation indicated the effect of qualifying under a given subdivision of the regulation. Any entity that qualifies as a California Supplier under subdivisions (a)(2)(B) or (a)(2)(C), but not any other section, shall be qualified as a California Supplier only for purposes of the supply of the products or services referred to in sections (a)(2)(B) or (a)(2)(C). An entity that qualifies as a California Supplier under subdivisions (a)(1), (a)(2)(A) or (a)(3) shall be considered a California Supplier for all the products and services produced or supplied by that entity. A California Supplier shall identify to CIRM those products or services that qualify under this regulation, which shall be certified by the supplier by any one of the supplier's: Chief Executive Officer, General Counsel, Partner or other officer.

Rationale:

Where a company is headquartered in California or has a significant presence in the state and makes a significant contribution to the state's economy, the proposed definition seeks to label such enterprises "California suppliers." The definition attempts to address companies both small and large and focus on the potential for benefit to the state's citizens by patronizing such enterprises.

The proposed definition differentiates between companies that are headquartered in California and those that are not. Essentially, a company's entire portfolio of products and services, including those related to the construction of facilities in the state, will qualify if the company 1) is headquartered here; or 2) has 1/3 of its employees in California; or 3) employs 5,000 or more Californians; or 4) employs at least 800 Californians in functions related to supporting products or services for life sciences or facilities. (Subdivisions (a)(1), (a)(2)(a), and (a)(3).)

If an out-of-state company has a subdivision or unit headquartered here, the subdivision or unit's products will qualify (but not those of the parent). (Subdivision (a)(2)(B).)

Finally, an out-of-state company will qualify for any products produced here (where at least 50% of the cost is attributable to work in California). (Subdivision (a)(2)(C).)

*****END*****